

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

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E.O. 11652: N/A

TAGS: ENRG, VE, CA

SUBJECT: VENEZUELA-CANADA PETROLEUM RELATIONS AND THE ORINOCO
HEAVY OIL BELT

1. VALENTIN HERNANDEZ, MINISTER OF MINES AND HYDROCARBONS,
RETURNED TO VENEZUELA ON JUNE 26 AFTER A VISIT OF APPROXIMATELY ONE WEEK IN CANADA. HERNANDEZ WAS ACCCOMPANIED BY
SEVERAL MINISTRY OFFICIALS AND A DIRECTOR OF PETROVEN - THE
HOLDING COMPANY FOR THE NATIONALIZED OIL INDUSTRY.

2. IN COMMENTS TO THE PRESS, HERNANDEZ CALLED FOR ESTABLISHMENT OF A "VAST" PROGRAM OF COOPERATION IN PETROLEUM MATTERS,
LEADING PERHAPS TO A NEW HEMISPHERIC POLICY IN PETROLEUM.
HE SAID THAT INITIALLY IT HAD BEEN AGREED THAT AN EXCHANGE OF
MISSIONS WOULD TAKE PLACE - ONE WITH THE MINISTRY AT A POLITICAL
LEVEL AND ONE WITH PETROVEN AT ECONOMIC AND TECHNICAL LEVEL.
DR. ALIRIO PARRA, THE PETROVEN DIRECTOR WHO ACCOMPANIED HERNANDEZ
TOLD THE REPORTING OFFICER THAT VENEZUELA IS PRINCIPALLY INTERESTED IN COOPERATION WITH CANADA IN HEAVY OIL TECHNOLOGY -
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A FIELD IN WHICH BOTH CANADA AND VENEZUELA HAVE EXPERIENCE

AND WHICH BOTH HAVE A NEED TO DEVELOP FURTHER IN VIEW OF THEIR HEAVY OIL RESOURCES. PARRA IMPLIED THAT THERE COULD BE A MUTUAL EXCHANGE, RATHER THAN JUST A ONE WAY FLOW OF TECHNOLOGY FROM CANADA.

4. PARRA SAID THAT VENEZUELA'S MAIN INTEREST IS TO DEVELOP THE ORINOCO HEAVY OIL BELT. ALTHOUGH HE EXPECTED THAT COOPERATION WITH CANADA WOULD BE BASED ON AN ARRANGEMENT AT THE OFFICIAL LEVEL, IT WOULD NECESSARILY INVOLVE THE PARTICIPATION OF PRIVATE COMPANIES WHO HOLD THE TECHNOLOGY. IN ADDITION TO AN ARRANGEMENT WITH CANADA, PARRA SAID THAT VENEZUELA WOULD ALSO WANT TO DEAL DIRECTLY WITH SHELL, EXXON, AND OTHER INTERNATIONAL PETROLEUM COMPANIES WHO HAVE VAST EXPERIENCE IN HEAVY OIL TECHNOLOGY. PARRA SAID THAT PLANS HAVE BEEN PROPOSED FOR DEVELOPMENT OF HEAVY OIL TECHNIQUES IN COOPERATION WITH OTHER COUNTRIES AND WITH COMPANIES WHOSE QUALIFICATIONS ARE VERY DUBIOUS. HE RIDICULED SUCH EFFORTS AS A WASTE OF TIME. PARRA SAID THAT VENEZUELA COULD PROBABLY FINANCE A PROGRAM TO DEVELOP HEAVY OIL TECHNOLOGY IF IT WERE NOT INEXCESS OF BS 500 MILLION. BEYOND THAT HE THOUGHT VENEZUELA WOULD HAVE TO SEEK FINANCING ABROAD.

5. COMMENT - HERNANDEZ'S VISIT TO CANADA AND HIS INTEREST IN COOPERATION IN DEVELOPING HEAVY OIL TECHNOLOGY ARE PROBABLY DESIGNED TO DEVELOP AT LEAST A PARTIAL ALTERNATIVE TO RELIANCE ON THE INTERNATIONAL OIL COMPANIES FOR DEVELOPMENT OF THE ORINOCO HEAVY OIL BELT.

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